

Message Text

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ORIGIN AID-05

INFO OCT-01 EUR-12 ISO-00 /018 R

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DRAFTED BY AFR/CWR/SDU:HMILLER:CML

APPROVED BY AFR/CWR:DSHEAR

AFR/CWR:ICOKER

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P 142137Z JUL 75

FM SECSTATE WASHDC

TO AMEMBASSY PARIS PRIORITY

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AFDROUGHT PARIS FOR HELMAN

FOL REPEAT COTONOU 991 SENT ACTION SECSTATE ABIDJAN

INFO BAMAKO NIAMEY ROME JUL 11

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LIMITED OFFICIAL USE COTONOU 991

AIDAC

ROME FOR FODAG

EO 11652: NA

SUBJ: COTONOU/GAO SHIPMENTS

REF A. COTONOU 570 B. STATE 161094 C. COTONAU A-24 6 MAR 74

D. NIAMEY 2633 E. ABIDJAN 5825

1. JULY 9 CHARLES DOREGO, DIR OCDN, REQUESTED PEARSON AND
SINGER COME TO HIS OFFICE TO DISCUSS OCDN'S WORSENING FINANCIAL
PLIGHT. DO REGO SAID THAT OCDN WAS NOW OWED OVER 1.6 BILLION
CFA AND FACES CRITICAL CASH FLOW PROBLEM. INDEBTEDNESS TO
OCDN RESULTS FROM TRANSPORT SERVICES ALREADY PERFORMED AND
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BILLED BUT NOT YET PAID BY CUSTOMERS FOR WORK A) TRIGINATING
AT PORT--983 MILLION CFA; B) AT THE MAIN COTONOU STATION--
371 MILLION CFA; C) AT PARAKOU--77 MILLION CFA; D) AT NIAMEY
--158 MILLION CFA; E) AND SACOTRA'S CURRENT ACCOUNT--17

MILLION CAF; TOTAL--1.606 BILLION CFA.

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WORST OFFENDERS IN NOT PAYING UP WERE MAJOR TRANSIT AGENCIES. DOREGO RESERVED SPECIAL BITTERNESS FOR SOCOPAO WHICH, PER DOREGO, OWES OCDN 501 MILLION CFA. SOCOPAO ALSO OWES ODAMAP 200 MILLION CFA FOR CARGO HANDLING WORK PERFORMED IN THE PORT. OTHER TRANSIT AGENCIES AND CURRENT DEBTS TO OCDN ARE (IN MILLION CFA): SOCOTRA--241; BETRACO--86; SOAEM--79; TRANSCAP--49. BALANCE OF DEBT OWED OCDN BY GOVT AGENCIES AND CORPORATIONS IN DAHOMEY AND NIGER, FUEL IMPORTERS, VARIOUS SMALLER TRANSIT AGENCIES AND COMPANIES WITH WHICH OCDN DEALS DIRECTLY. DOREGO PUT OCDN'S MONTHLY OPERATING EXPENSE AT 300 MILLION CFA AND SAID ACCOUNTS RECEIVABLE, WHICH HAS BEEN GROWING MONTH BY MONTH, NOW REPRESENT ALMOST HALF YEAR'S OPERATING COST OF RAILROAD.

3. AFTER OUTLINING SCOPE OF OCDN'S PROBLEMS, DOREGO MADE HIS PITCH; TO WIT, THAT AID BYPASS USE OF TRANSIT AGENCIES AND CONTRACT DIRECTLY WITH OCDN. BY DOING SO, OCDN WOULD RECEIVE PAYMENT FROM USG AND NOT BE REQUIRED TO WAIT FOR CASH TO PASS THRU HANDS OF TRANSIT AGENCIES WHO ARE TAKING LONGER AND LONGER TO PAY THEIR BILLS OR DIVERTING MONEY OUT OF DAHOMEY (AS DOREGO ACCUSED SOCOPAO OF DOING.) DOREGO ALSO INDICATED THAT CONTRACTING DIRECTLY WITH OCDN WOULD RESULT IN QUICKER SERVICE.

4. WE TOLD DOREGO THAT AID HAD ALREADY SIGNED CONTRACTS WITH SOCOPAO AND SACOTRA FOR THE FIRST THREE TRANCHES OF THE MALI PROGRAM AND THAT WE WOULD HAVE TO CONSULT OUR CONTRACT OFFICER, ABOUT CONTRACTING DIRECTLY WITH OCDN FOR THESE OR FUTURE SHIPMENTS, BUT WOULD BE GLAD TO DO SO, ESPECIALLY IF THIS COULD GUARANTEE PRIORITY SERVICE.

5. DOREGO SHOWED US SIGNED COPY OF OFFICIAL DECREE DECLARING SOCOPAO, SACOTRA, SODAK AND BETRACO INSOLVENT. DECREE HAS NOT YET BEEN PUBLISHED OR RELEASED. EFFECT OF PUBLICATION WOULD BE TO PREVENT ANY OF MENTIONED TRANSIT AGENCIES FROM CON-
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DUCTINB BUSINESS WITH MRGD AND WOULD PAVE THE WAY FOR MRGD TO SEIZE THEIR ASSETS IN COUNTRY. SEIZING ASSETS WOULD NOT BEGIN TO COVER DEBT TO OCDN AND OCDN BADLY NEEDS CASH, THEREFORE PUBLICATION OF DECREE BEING HELD UP WHILE MEGD EXPLORES OTHER WAYS TO PROCEED AGAINST TRANSIT AGENCIES, PARTICULARLY SOCOPAO. DOREGO SAID SOCOPAO'S BANK BALANCE HERE ALMOST NIL, THEIR MONEY HAVING BEEN TRANSFERRED TO SOCOPAO/PARIS, HE SAID THAT DEL FROM NITRA/NIGER (FORMERLY SOCOPAO/NIGER) EXPECTED COTONOU JULY 10 TO DISCUSS POSSIBILITY OF NITRA TAKING OVER SOCOPAO/DAHOMEY OPERATIONS AND PRESUMABLY DEBT.

6. COMMENT: OCDN'S PROBLEMS BECOMING MORE AND MORE SERIOUS.

POSSIBILITY THAT SOME OR ALL OF SOCOPAO'S DEBT TO OCDN WILL BE UNCOLLECTABLE, CLEARLY HAS DOREGO VERY NERVOUS. PROSPECT OF CONTRACTING DIRECTLY WITH OCDN FOR MOVEMENT OF SORGHUM TO MALI COULD HOWEVER BE TURNED TO OUR ADVANTAGE. IF WE CAN SIGN A CONTRACT WITH OCDN ON TERMS SIMILIAR TO RECENT CONTRACT WITH SOACOTRA PROVIDING FOR IMMEDIATE PAYMENTS IN SERVERAL STAGES WITH CHECKS TO BE TURNED OVER BY AIDOFF DIRECTLY TO OCDN AS GRAIN MOVING OUT OF PORT, THIS CASH-IN-HAND INCENTIVE COULD BE SINGLE GREATES SPUR TO QUICK ACTION IN GETTING SORGHUM MOVING. COULD CONTRACT OFFICER ABIDJAN COMMENT ON THIS POSSIBILITY?

7. FYI: FURTHER TO REF A, EMBASSY OFFICER HAS BEEN TOLD THAT FLIGHT OF SOCOPAO MANAGEMENT LINKED TO 560 MILLION CFA FINE LEVIED ON SOCOPAO FOR INCIDENT REPORTED REF C. REPORTEDLY SOCOPAO ALLOWED DEBTS TO ACCUMULATE AS LONG AS POSSIBLE, AND THEN PULLED ITS MEN OUT, LEAVING A MAXIMUM OF 50 MILLION CFA ASSETS AGAINST 500 MILLION CFA DEBTS, PLUS THE 560 MILLION CFA FINE, THUS ENABLING SOCOPAO TO WRITE OFF DAHOMEY WITH A MINIMAL LOSS. END FYI.

8. RE NIGER'S SUPPLY PROBLEM OUTLINED BY NIAMEY REF D: EVEN PUSHING THE ADVANTAGE CREATED BY THE NEW PAYMENT MECHANISMS TO THE MAXIMUM, WE DO NOT BELIEVE THAT THE SMALL QUANTITIES NOW WAITING AT THE PORT OR THE RATE AT WHICH THEY CAN BE EVACUATED WILL HAVE MORE THAN MINOR EFFECT ON FLOW OF GOODS DESTINED FOR NIGER.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AFDROUGHT, PORT FACILITIES, STOCKPILES, FOODS, GRAINS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE165289
Document Source: ADS
Document Unique ID: 00
Drafter: AFR/CWR/SDU:HMILLER:CML
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D750243-0230
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197507105/baaaapfb.tel
Line Count: 147
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN AID
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 14 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 MAY 2003 by ShawDG>; APPROVED <15 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: EAID, EAGR, NG, DM, ML
To: PARIS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006